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Barnes, Demas

Speech of
Hon. Demas Barnes...

Washington

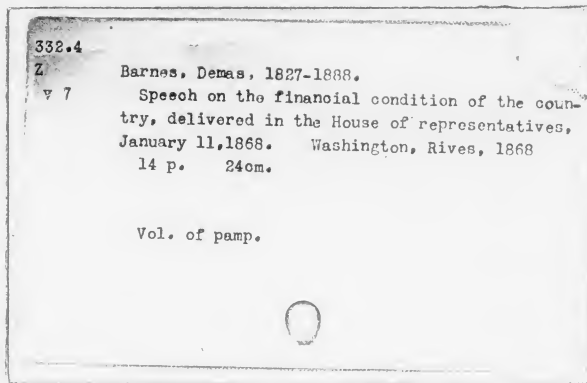
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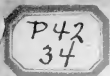
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SPEECH

OF

HON. DEMAS BARNES,

OF NEW YORK,

ON

THE FINANCIAL CONDITION OF THE COUNTRY;

DELIVERED

IN THE HOUSE OF REPRESENTATIVES, JANUARY 11, 1868.

WASHINGTON:
F. & J. RIVES & GEO. A. BAILEY,
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1868.

FINANCIAL CONDITION OF THE COUNTRY.

The House being in Committee of the Whole on the state of the Union—

Mr. BARNES said:—

Mr. CHAIRMAN: I propose to address myself on this occasion to the consideration of a question of the most vital concern to this country and its people. Next to the fundamental principles which organize Governments to protect life and insure justice, the financial principles of a nation are most important. The strength of armies, the equipment of navies, the raising of crops, the interchange of products, the literary attainment, and the physical comfort of the humblest individual, are all measured by a money standard. In proportion as nations rise in civilization the term "money" loses its technical signification of mere metallic coin, and credit and confidence become incorporated as a part of the circulating medium and as evidence of wealth. Every yard or pound of the substance of a semi-civilized people must be represented by metallic money when it changes owners. As nations advance in civilization the proportion of money to the volume of exchanged values grows smaller. In this as in all modern commercial nations the amount of money bears but a small proportion to total values. The difference between the amount of our money and the amount of our property is confidence; confidence in the usages of society, in the integrity of individuals, in courts of equity; confidence in the law of experience, that no considerable proportion of the whole property of the country would ever be forced to sale in any one day. The circu-

lating medium of this country is not over two to three per cent. of the assessed value of its property. The total transactions of the seventy-one banks in the city of New York for the week ending December 14 amounted to \$432,724,248, which were all accomplished with only \$12,548,000 in money. This is in a prompt community with cash habits. Farmers, artisans, and manufacturers handle less money in proportion. It is impossible that so immense a weight, suspended upon so delicate and sensitive a pendulum, should not vibrate with great irregularity. Experiment and experience alone fix the limits which we learn to call natural financial law, the law which undertakes to decide what amount of currency is requisite to the best good of a nation, and what conditions, restrictions, and liabilities are necessary to endow it with most stability.

The conditions upon which theories are formed vary as widely as the results. The alternating products of a nation, its internal harmony, its external policy, its destruction of property in war, the utilization of scientific principles applied to mechanic art, long periods of prosperity or depression, serve to popularize theories which may be attended with disastrous results. Wild chimeras are now filling the public mind and are seeking expression in the legislation of the nation. Such particularly are the theories set forth in a bill recently introduced into the other Chamber by a distinguished Senator from Vermont; a bill bearing upon its face evidences of the very best intentions, but

inwardly full of practical absurdities, which if undertaken to be put in effect will involve the question of the repudiation of the national debt and the financial ruin of this generation of men. Such appears to be the literal construction of the recent report of the Secretary of the Treasury. This bill of the honorable Senator, the recommendations of the Finance Minister and all the bills so far introduced into this Congress, undertaking to legislate a return to specie payments, hinge upon the fatal error that Congress can directly and independently of other things, legislate when this period shall occur, still preserving the best interests of the country. Now, Mr. Chairman, I am going to assert, and afterward I am going to prove to this House that Congress cannot independently and alone or as a primary and single act, fix any day, be it near or remote, be it this year or fifty years hence, when we can return to the specie standard of the world. I assert, and I challenge any gentleman upon this floor to prove the reverse, that so long as Government bonds underlie our circulating medium as they now do and those bonds will not sell for eighteen per cent. more in gold than they now do, that we can never return to specie payment. Imagine, if possible to do so, that legal tenders and gold are equal par here to-day—what would be the fate of \$300,000,000 national bank bills to-morrow which are issued upon \$338,000,000 par value of bonds? The market price of these bonds is seventy-two, or a total value of \$244,000,000. Here is an immediate deficit of \$56,000,000, not counting the further depreciation to follow liquidation under such unfavorable circumstances. Would not every dollar of these bills be pressed for gold as rapidly as messengers could carry them to the places of redemption? The bank holds less than thirty millions in gold, and would not the answer to these demands be a crash that would pull down the pillars of the

State in ruins? This generation of men would wander in cimmerian darkness amid heatombs of bankrupt citizens bearing our best and our most honored names.

No, gentlemen, our legislation and our efforts must be directed to enhancing the value of our bonds. It is to bonds, and not to specie that we must direct our attention. Finances, money, cannot now be considered independent of bonds. When our bonds advance to the same relative price with English consols, with the Moorish and the New Zealanders' bonds, now so superior to our own in the markets of the world, we shall have arrived at the happy date when we can not only pay but demand specie for our obligations; and that is all there is of it. Not one in a thousand of our people can now tell how or when we returned to specie after the suspension of 1857. When we have actually arrived at this much-to-be-desired point we want simply to legalize future transactions and instruct the Secretary of the Treasury to exchange his gold in excess of say \$50,000,000 for the least desirable class of circulating medium which is then out. If this were done to-day it would replace national bank bills; if in the mean time these bills have been converted into legal tenders we should retire them in the same way.

I again assert that there is no other way than this to restore gold to circulation without retarding the industries of the people and sowing the seeds of wide-spread disaster. Do not suppose that I desire to continue the present state of finances a day longer than can be avoided, or that I was ever in favor of placing our finances where they now are. I fully realize the grinding tax which a depreciated currency places upon labor; I appreciate the natural injustice of paying the bond-holder in gold which he sells at forty per cent. premium while the needy mechanic has to receive a

depreciated bill upon which he has to submit to a heavy discount each time he buys a pair of boots or a pound of sugar. I protested against the legislation which brought this state of things about. Still, I recognize the right to be governed, although badly governed, and, with other members of the community, I accept things as they are, not as I would have them.

We have been told, sir, that a national debt is a national blessing. I think this fallacy is now understood. We have been told that our national banks were the sustainers of the national credit. I think we shall yet be made to see our error upon this point. We have been told that enfranchising as well as liberating the negro was a source of well-distributed political power and national wealth. We have already partially found, and will still continue to find, that disfranchising property and placing its political control in the hands of those whose only interest will be to convert it to their own use does not bring revenue to the Government, does not consume the products of commerce, does not add stability to our bonds, does not decrease taxation or add to our national strength.

I shall now proceed to consider our national finances, and shall endeavor to confine myself to three points: first, the amount of currency required; second, the relation of national banks to specie payments; and third, how to overcome existing obstacles to that end.

Our debt is no doubt \$1,000,000,000 more to-day than it would have been had we not suspended specie payment. The extravagance and want of economy in all departments of governmental affairs incident to such a redundant currency as that which we put afloat have entailed a tremendous loss upon the people. I did not think it was necessary to place ourselves in the financial condition in which

we now are; but we are here, so far on our journey of national life. The party and the individuals who placed us here were our agents, the agents of the Government. They did as to them seemed wise and best. We were passing through a great ordeal—"while Rome debated Byzantium fell." We did not debate, we did not fall. Be the acts of our agents unwise, unnecessary, and wrong, we are none the less bound by them. The faith of our obligations in every respect must be sustained to the last day, without a blemish and without a spot. Our duties are to see how best we can repair the damages already done without adding to them. To restore the dead we cannot; to admonish the living we may. Our duties are to the future and not to the past.

Prior to the effects of a plethora, degraded money system was the time for gentlemen to have deplored the results of a depreciated currency, of an impaired national credit, of unproductive speculation, of neglected farms, of crowded cities, decaying ships, rusting wheels, impeded commerce, departed morals, and individual bankruptcy. They did not do it. All then was rose color and autumn tints. They then sowed the wind. I would not have them reap the whirlwind. We have inflated the balloon; we have landed upon a barren island. Instead of undertaking to swim to the mainland against tides, against winds and currents, I would wait for the friendly craft to insure our safe deliverance.

Now, sir, the relative proportion of currency to the property of the country should be preserved, allowing for the increased use of credit as wealth increases.

New York may be taken as a representative city of the United States. The business of that city for the past eleven years, as represented by the business of the banks, has been

as follows. I give the average per day for three hundred and thirteen days of each year:

1856.....	\$22,278,000
1857.....	26,388,000
1858.....	15,203,000
1859.....	29,807,000
1860.....	23,401,000
1861.....	19,229,000
1862.....	22,257,000
1863.....	34,428,000
1864.....	77,984,000
1865.....	84,796,000
1866.....	93,511,000
1867.....	93,161,000

It will here be seen that the business of the country last year was four times in excess of that done in the great speculating year of 1857; six times in excess of 1858, five times greater than in 1861 that it had reached the exact point in 1862 which it occupied in 1856; that in 1863 it increased over one hundred per cent.; in 1864, near seventy per cent.; in 1865, ten per cent.; in 1866, ten per cent.; and that in 1867 there has been a slight falling off. Contrasting these figures with what we see about us, how correctly do they portray the state of the business prosperity of the country. So long as currency multiplied or was stationary the people felt confidence in their investments, and business increased with the removal of our frontier, with the increase of population, and with the development of our resources. When a reverse policy is pursued capital takes the alarm, is withdrawn from industrial pursuits and placed within reach; new contracts cease in order to liquidate old ones; expenses are not diminished; accumulation of profits are suspended, and suffering prevails.

But we are told that an irredeemable paper currency is a great evil; that we have too much circulation, and that until it is curtailed we can never restore ourselves to a specie standard. I admit the evil, but I deny both the other assertions. Values and business have now accommodated themselves to this new state of things. In fact, a great and damaging reac-

tion has already taken place. Fortunes have been sunk and wide-spread suffering now prevails from the effort to discount the action of the Government. In 1860 we had in round numbers \$500,000,000 of currency to perform less than one fourth the service which is now done. We have now in round numbers \$700,000,000 of currency only to do four times the amount of business which we then did. Our currency is not too large in amount.

But within the past sixteen months we have retired \$100,000,000, or one eighth of our circulating medium. Values have shrunk in proportion. Speculation, as well as a large per cent. of legitimate business, is dead. The currency of a country is like the center of a wheel, the values of property resting upon it being the circumference. We can follow its expansive centrifugal force without danger, but when the motion is reversed and it acts with centripetal power it checks the momentum of a world. Remove the center and the circumference crumbles with the slightest touch. The core of the earth, a foot in diameter, moves too slowly for the eye to record its motion in making but one revolution in twenty-four hours, but at its surface it flies in space seventeen miles in a single minute. The conditions of society accommodate themselves to an expanding currency without interruption. They cannot do so when contraction takes place, *for the reason that one side of the account becomes fixed and immovable.* As money disappears values shrink, but debts remain at their full face, and a demand to pay always comes when there is least to pay with.

Yet there are those who can see no remedy for our evils except in returning exactly to our old state of affairs. This is as impossible as it is unnecessary. They still ask why we cannot as well contract currency as we can expand it? I will again answer plainly that

it is because so large a proportion of our property is represented by credit or debts which no legislation can reduce, and which are always called in when reduced earnings reflect an inability to pay interest.

We have \$21,000,000,000 of property, all represented by \$700,000,000 of circulating medium, or three per cent. of money to ninety-seven per cent. of confidence and credit. The General Government owes \$2,639,000,000. The States owe \$373,000,000. Cities, towns, and municipalities I will estimate at \$200,000,000; the debts of railroads, canals, and incorporations at \$1,000,000,000, and of merchants, manufacturers, and individuals to each other at \$2,000,000,000. Here we have a total indebtedness of \$6,211,000,000. To contract our currency another hundred millions would lessen the value of our property \$3,000,000,000, with our debts unaffected; to contract \$300,000,000 would extinguish the value of our property one half, and yet our debts would still remain as before.

This, Mr. Chairman, is the reason why, when we have committed the error of undue expansion, we cannot contract as we expanded. I trust this point will be carefully weighed and considered. If it can be shown how we can lessen our debts as we should our money and our property I shall be willing to try the experiment. Until this can be shown it is idle to talk about forcing specie payment without its costing us a hundred dollars for every one we save. And this is not the worst of it, the poor do all the suffering while the bond-holder is alone exempt.

Another reason, sir, why contraction must cease, is the large amount of our debt which has been suddenly created and the bonds of which cost the holders but a small price, and which can any day be turned back upon us at a profit to the holders. Every one per cent.

decline in gold here is one per cent. profit added to several hundred millions of these bonds held abroad.

I again repeat, Mr. Chairman, that our currency is not too large; that a further contraction is unnecessary, is inexpedient, and is ruinous; that we must wait for natural causes and for legislation to develop and quicken the industries of the people, and thus to restore us to the specie standard of the world. At the same time we desire no more expansion and then again a cry for contraction. We have already sustained the losses on one shrinkage. Do not let us repeat this unnecessary torture. Let the currency rest in amount where it now is. If it were fifty millions less or fifty millions more I should say the same thing. Stability more than amount is the requirement of commerce. Give us a fixed policy, some certain basis upon which merchants, manufacturers, planters, and business men can rely for future operations. Now, low prices do not tempt the buyer. Manufacturers are running on half time or not at all. They refuse to take the farmers' wool at prices lower than have been known for twenty years. Merchants buy from hand to mouth only. The money ordinarily engaged in legitimate business is now loaned upon call at low rates and again loaned to those who buy gold and speculate in stocks. By fixing the standard this money would again return to its proper channels; it would again harness the water-power and put the spindles in motion; it would give employment to the needy and bread to the hungry; it would create rapid interchange of commodities and lighten the burden of taxation; it would enhance the value of our bonds and remove one of the props from the gold market.

Let a law be passed designating the day when the Government and banking institutions shall be compelled to pay gold, and one universal

seram for gold commences which sacrifices everything and everybody to this one object and this one necessity. There is literally no bottom to values when confidence is gone and panic stretches its withering blight over the industries of a nation. There exists no measure by which to calculate the suffering which such causes entail upon a people. Business stagnates and values disappear like dew before the morning sun. Wheels rust in their sockets; ships rot in idleness by their empty wharves; the artisan's hammer is silent; luxuries are dispensed with; labor is not required; food will not bring the cost of transportation; music cannot earn bread, or worth or age or tears lay coals. The solvent merchant of yesterday becomes the bankrupt debtor of to-day; famine stalks the streets, doors are closed against former tenants, and misery and sadness are everywhere. The bond-holders of England inaugurated the same cry which we hear here to-day, and insisted that the Government should return to specie payment immediately after the battle of Waterloo and the close of the war in 1815. She had been under suspension since 1797, while Napoleon carried on his wars with gold. Although Napoleon was defeated France recanted while England retrograded for many years. She fixed the day of resumption in July, 1816. Within a month after the announcement gold advanced twenty per cent. The bankruptcies increased fifty-five per cent. over those of the preceding year. The wild disorder which soon prevailed, and produced, as we are told, "a state of suffering greater than England had known since the Norman Conquest," compelled the Government to postpone resumption until July, 1818.

Under this brief reprieve industry again revived and hope obtained a foothold for future endurance. Bankruptcies in 1818 declined fifty per cent. But the bond-holders who had

invested at sixty cents were still clamorous and capital remained timid. Government had learned by experience and preferred to let well enough alone. The bullionists, however, carried through a compromise resolution in 1819 providing for partial resumption in May, 1820, and for entire resumption in May, 1821. Then, as if by the sound of a tocsin, England again took the alarm and the people paid the penalty. Still again was the time extended, and it was not until 1824 that specie payment was finally and completely resumed. Then commenced that terrible revulsion which carried misery everywhere, and which was fast reducing England to a state of barbarism. It was after resumption, and not before—it was in 1825, twenty-eight years after England broke the metallic ring—that bullion, uncoined gold and silver, would not be taken for legal-tender debts. It was then that fortunes of £100,000 could not find purchasers at £5,000; it was then those terrible bread riots commenced throughout the kingdom; that soldiers had to be stationed before every granary; that strong men, helpless women, and innocent children died of hunger and froze with cold. Then accumulated that wide-spread disorder, those heinous crimes, and that universal suffering which God grant may never be repeated in any country. The historian Alison says, "The industry of the nation was congealed as the flowing stream is by the severity of an Arctic winter."

Yet against theories and against results like these, gentlemen still seek to legislate a day when we shall pay gold, but when we shall not eat. They seek to gratify the demands of a few bond-holders, whose interest can always be made secure by adding new taxation to the poor man's necessities. They would enforce an empty theory, barren of all good results and freighted only with harm. They would make the rich richer and the middling class

utterly poor. They would build up caste, aristocracy, and distinctions in society repugnant alike to the self-pride and good sense of American citizens.

England has since learned wisdom. While she restricts the issue of bills in proportion to the gold on hand she still confers extraordinary powers upon the queen's cabinet to extend the issue instead of curtailing it in times of panic, and by so doing has averted the force of severe financial hurricanes incident to any country. It was the general letting out of currency in the United States which relieved the severity of the pressure in 1857, and which allowed us to so soon return to specie payments.

Our ability to return to specie is figured out to us by showing that the Government, the banks, and the people have nearly four hundred million dollars of specie, and that the Government owes in demand obligations but \$406,000,000. I gladly accept the figures, but we are also compelled to accept the results. Every available dollar of legal assets is here conceded to the Government. What, then, becomes of the people? Where is our reserve to continue our transactions and to liquidate the hundreds of millions of our indebtedness? What will run our mills, transport our crops, till our farms, hold our merchandise, and make our individual exchanges? The power to use debts due us as capital will then be gone. It will for a time require dollar for dollar hard cash to do our business. Of course business shrinks to a small, indefinite amount, and the consequences all can see. It is not true that because "one dollar of gold in ordinary times will float three dollars in paper" that it will or possibly can do so soon after imparting to it such an increased value as resumption would give it. Any effort to force the natural laws of commerce, operate

inversely in proportion to its strength. The higher the dam the greater the destruction when it yields to the accumulated flood. The population of the country doubles once in thirty years. Its wealth and its demand for a circulating medium, if left to natural laws, double in ten to twelve years. How easy, then, to anchor ourselves where we are and wait for the rising tide of wealth and population to overtake our financial position, to raise us upon its billows and float us off upon the sea of prosperity.

As another insurmountable obstacle to a return to specie we must consider the position of our so-called national banks. I fully recognize the advantages of a national system of banking. I recognize the advantage of the Government's printing and becoming responsible for the paper circulation of the people as not less than the advantages of its exclusive power to coin money. A uniform solvent currency is one of the rights which a people have to demand of its Government. I recognize the propriety and advantage of the Government's extending sufficient inducement to individuals as bankers to cause them to obligate themselves to secure the trusts which may be placed in their hands. I do not charge that gentlemen now owning national banks are less patriotic or less worthy of confidence than any other class of men to be found in the country. They exercised only their equal privileges with others in making these investments. I do, however, charge that the system itself compels good men to defend bad measures.

The interest of these banks is adverse to a resumption of specie payments. I care not what presidents and cashiers may say they are individually willing and anxious to do, their dividends and their profits will be reduced when they are compelled to deal in coin; and they, like other men, will defend their inter-

ests. On \$100,000 of bonds they now draw and the people pay \$6,000 gold interest. This gold they sell for say forty per cent. premium, which is \$2,400 added to every \$6,000 received from this source, or on \$328,000,000 of these bonds \$11,520,000, or a yearly premium of four per cent. on their entire capital against resumption.

Again, the owners of these institutions realize that the extraordinary powers which they possess were only obtained by an admixture of a large show of patriotism with a very little cash in a time of national distress which, as soon as we are again upon a foundation of equality and strength, they will lose. These banks have deposited with the Treasury \$328,000,000 in United States bonds, on which they draw six per cent. gold interest. These bonds are not taxable, which is a further profit of two to four per cent. They have issued \$300,000,000 of bills called national bank bills. These bills they also loan at rates of interest current in the several States where issued. They receive the deposits of the Government and of individuals, on which they pay no interest. They are thus allowed on one investment interest on bonds, interest on the bills issued, premium on gold interest sold for legal tenders, and exemption from taxation on bonds. They pay a tax on their circulation and deposit—on a part of their business only, every other business pays on all—on gross receipts, not upon profits or need.

Do not these facts in part account for the pious wailings of bank officers and for the mysterious figures emanating from financial bureaus, endeavoring to prove that these institutions are having a hard time? Does not the "hue and cry of the ignorant and malevolent," charged by the honorable Senator heretofore referred to, here find a reason? If these are not immunities calculated to foster a tremen-

dous monopoly I would like to know what are. If this is not a price calculated to keep the country in financial degradation what can be? If these statements are not facts, I ask how it is that from October, 1864, to October, 1867, only three years, these institutions have made annually from ten to twenty per cent. dividends; have built marble palaces in every city; have paid for the most valuable corner-lots and yet have accumulated a sinking fund of \$64,685,301, an extra dividend of nineteen per cent. on their total capital. I do not here include undivided earnings, since last dividend day, a further sum of \$39,751,446 21; making a total of undivided earnings now in their vaults of \$98,436,747 21.

It is all nonsense to try to dispute the conclusions of these figures. The political power of the country is gravitating into the hands of sixteen hundred and fifty banks. They can to-day spend \$50,000,000 in printing papers, in suborning public sentiment, in corrupting Legislatures to carry through and perpetuate their schemes. They hold, as in a vice, the political support of their customers to whom they grant loans. It is within their power to ruin and turn upon the empty curb-stones those who will not defend their measures. This is not all they do and can do. They lay directly across the door to specie payment, which can never be reached until their franchises are changed.

Although national in name they are not so in reality. They are unequally distributed as to locality. They do not protect depositors, and in ordinary times they cannot protect bill-holders. Although under the fostering hand of the Government, and so recently born to life, ten of these institutions have failed, and the Comptroller of the Currency congratulates the country "that the total loss to the public will be only about one million dollars." This

is under circumstances unfavorable to test the true principles involved. The amounts were small and the times not pressing upon the value of securities. We know they have not paid depositors. Let us see if they can always pay bill-holders.

We will now assume, Mr. Chairman, that we have returned to specie payment. We all like the supposition. We drop the morning paper making the announcement and look at the bills in our pocket. We remember that there is quite a little batch of national bills out—three hundred millions or thereabout—issued upon bonds which at seventy-two cents are worth but \$244,000,000. We step to the bank with the idea of exchanging them for gold, but arriving there we find that our servants, our clerks, our butchers, our grocers, and our neighbors of all conditions, who rose before us, were of the same opinion and are already there. The banks have less than thirty millions wherewith to pay \$300,000,000 of circulation and a still larger amount of deposits, and of course the doors are closed. We then visit a broker expecting to exchange our national bills for legal tenders. Behold the crowd, but the placard over the window informs us that "national bank bills twenty to fifty per cent. discount for legal tenders, according to position and issue of the bank."

This result cannot be denied. With a deficit of \$56,000,000 between the amount of the bills and the value of the securities all the bills issued on ten per cent. margins would be at twenty per cent. discount, and those issued upon twenty per cent. margins would be at ten per cent. discount. Not only this, but at this point legal tenders are hoarded just as gold used to be, bonds would decline, and a further discount on national bills follow. All the legislation in the power of the Government cannot fix the date of resuming specie payment while

these bonds remain at anything like their present value, and while the circulating medium of the people rest upon them.

The theories of gentlemen having now failed they undertake to dispute facts. They say our bonds will advance, and when they have advanced all will be right. They say this, but do they prove it? Our bonds are two per cent. less for gold to-day than they were two years ago; why is this? But this they say is exceptional. I say it is not exceptional—I say that Government bonds are governed by the same laws of supply and demand, of amount and of confidence, as any other evidence of debt ever issued by a corporation or an individual. A Government note is subjected to the same scrutiny as an individual note. If the amount is small and the confidence great it brings a high price; if the amount is large, the price is less; and if added to a large amount there is limited confidence the price is still less.

The gold price in London on a recent day for \$100 in value of the following Government bonds was:

United States six per cent. gold interest.....	72
Chilian six per cent. gold interest.....	83
Turkish six per cent. gold interest.....	82
Canada six per cent. gold interest.....	103
Australian six per cent. gold interest.....	107
Cape of Good Hope six per cent. gold interest.....	104
Brazilian five per cent. gold interest.....	74
Greek five per cent. gold interest.....	12
Italian five per cent. gold interest.....	70
Moorish five per cent. gold interest.....	95
Peruvian five per cent. gold interest.....	70
Russian five per cent. gold interest.....	83
New Zealand five per cent. gold interest.....	56
French four and a half per cent. gold interest.....	99
Denmark four per cent. gold interest.....	82
English three per cent. gold interest.....	84

I would like to inquire of gentlemen who put so much confidence in the word "Government!" attached to a bond, why a United States, a Chilian, a Canadian, a Turkish, and an Australian bond, all bearing the same interest, vary so greatly in price, and the United States at the bottom of the list? Why is it that an

English bond, drawing but three per cent. interest is worth ninety-four, a French bond drawing four and a half per cent. is worth ninety-nine, while a Greek five per cent. is worth but twelve, and an Italian five per cent. seventy? Why is it that a Russian five per cent. is eighty-six, fourteen per cent. more than a United States six per cent.? Do not these figures show that Government securities, like other securities, do not sell in proportion to the interest they will pay, but in proportion to the confidence or risk felt in handling them?

The causes which govern the price of bonds are: first, quantity; second, the value of money at the time; and third and lastly—not first—the interest which the bonds pay. But suppose our bonds were at par for gold, and we have \$300,000,000 bills issued upon them at ninety per cent. as now, we could not then sustain a gold standard. These bonds will fluctuate. It is no more possible for Government to regulate the price of its bonds than it is to regulate the currents of its rivers. The tide is ever swelling and receding, watered by the rains of heaven and drunk up by the ever thirsty atmosphere. English consols, drawing the lowest interest, are in the strongest hands and have been the most uniform of all large bonds, and yet there have been no ten years since their issue that they have not fluctuated in value from sixteen to fifty per cent. They have stood as follows:

Date.	Variation	
	Highest.	Lowest, each 10 years.
1731 to 1740.....	107	90
1740 to 1750.....	103	75
1750 to 1760.....	104	79
1760 to 1770.....	93	43
1770 to 1780.....	95	59
1780 to 1790.....	81	53
1790 to 1800.....	97	47
1800 to 1810.....	79	51
1810 to 1820.....	84	54
1820 to 1830.....	97	69
1830 to 1840.....	95	75
1840 to 1850.....	101	80
1850 to 1860.....	101	85
1860 to 1870 (seven years) 95	80	16

Have we not here the proof that money, issued upon bonds like ours, is a panic feature added to the other causes which would disturb the value of bonds? In times of monetary distress bonds will go as much lower than a mere tight money market will carry them as the discredit of our circulating medium will add to the depressing effects.

The personal liability clause in the bank act amounts to really nothing. Transfers can be so made to irresponsible parties that enough will never be realized from this source to pay attorneys' fees.

Have I not furnished the evidence that the Government cannot return to specie until its bonds will bring more than ninety cents in gold? And is not the evidence sufficient to prove that if our bonds were worth ninety or one hundred in gold and our circulation issued upon them at ninety we could not retain a specie standard?

Therefore, Mr. Chairman, if we would put down the price of merchandise we must put up the value of bonds; if we would equalize capital and labor we must put up the price of bonds; if we would take undue advantages from one class and give equal privileges to all we must put up the price of our bonds; if we would lighten taxation, we must put up the price of bonds; if we would return to the specie standard of the world we must put up the price of our bonds; if we would guarantee the interest of these bonds we must still appreciate their price by stimulating industry—then accumulating wealth and increasing population will provide for their payment. With sixty-four million population twenty-five years hence, and our wealth three times what it now is, we shall require a per capita taxation of six dollars instead of eleven dollars, as now, to pay \$400,000,000 a year; or a tax of sixty-five one hundredths of one per cent. on our property instead of two per cent., as now.

What, then, Mr. Chairman, are the measures requisite to produce this great national necessity? Need I say, first and foremost, is the restoration of this Union? War has ceased for two years and a half, and courts of justice are reestablished in all the States. Guarantees against future rebellion were acknowledged in the stripes which the people of the South have borne and in the furrows of desolation which the plowshare of war has left throughout the length and breadth of their once fair land. And yet they are without local governments and without representation on the floors of Congress! Their State constitutions are being so framed as to place the control of property in the hands of ignorance, inexperience, and poverty. Bond-holders see in this the seeds of chronic decay. They see the future agrarian interests of those who do not own but who control the property of that section of country. They foresee how property will be taxed for the benefit of the ruling faction; how that class will exempt themselves from penalties; how vice is engendered; how want is created, which, finally justified by necessity, will confiscate the property and attack the liberty of the property classes. They see how immigration and capital will refuse to locate, or remain there; how improvements languish, industry is neglected, fields remain uncultivated, and how impossible it will be for the people to contribute to national taxation. They see the people dispirited yet compelled to support freedmen's bureaus and military commandants. They see how a sectional Congress, imposing large burdens upon them, destroys what remains of their once great staple crops, and subjects them to taxation without representation. They behold the cotton culture transferred to the Nile, the Euphrates and the Ganges by a tax of twenty-five per cent. on its present value, and the sugar culture almost annihilated; they calcu-

late the effect of unrestricted franchise upon bonds, and ask if sometime in adversity the people may not refuse to pay the enormous taxes they are now compelled to, while not one in a hundred of the voters have any direct interest in their payment. The answer to these questions is yet in the future. To us representatives in the Fortieth Congress of the United States has fallen the duty of answering them. If we do our duty like men, knowing no North and no South, but only one country of mutual interest, the unwritten history of this nation may yet be bright, and we be entitled to an honorable name. But if the sectional suicidal policy of the past is to be repeated in this body no man can depict the horrors which a war of races, a war of pauperism and property, an agrarian war, may inflict upon us.

Three and a half million dollars loaned to the States of Louisiana, Mississippi, and Arkansas would repair the river levees, and save from annual overflow twenty-two millions two hundred and eight thousand acres of the richest alluvial soil upon the surface of the earth. This land, if reclaimed, is capable of producing vast wealth, which, intermingled and multiplied in the exchanges of the country, would leave its items of revenue to the Government and repay the outlay a hundredfold. This small favor has been asked, not for the people of a State, but for the nation, for two years, and yet have we sat down supinely to see the crops of that fertile territory drowned out with each returning season, the stock perish, and the people made to flee for their lives.

The sugar crop of Louisiana for 1860 was 440,000 hogsheds; for 1866 it was only 20,000, and there are to-day in that whole section but three hundred and forty-seven sugar plantations, large and small. Can revenue be derived from this source?

The cotton crop of the United States was

4,076,000 bales in 1860; in 1866 it was 1,700,000 bales, and yet this House still insists in destroying what is left by retaining an oppressive tax and discouraging the planting of a new crop. American cotton furnished four fifths of the total supply in Europe in 1860. It has now fallen to less than one third of the total supply. Can bond-holders have confidence in such suicidal legislation as we furnish them?

A political reconstruction of those States would not only have supplied them with the results of superior crops but with immigration, with capital, and with credit, which they so much need. This cause alone would have reduced the premium on gold for the past two years fully one half—which would have been fifteen per cent. on the revenues of the Government for two years—say \$1,000,000,000. Here, then, is a direct loss of \$150,000,000 to the Government besides the losses to the people in their mutual exchanges.

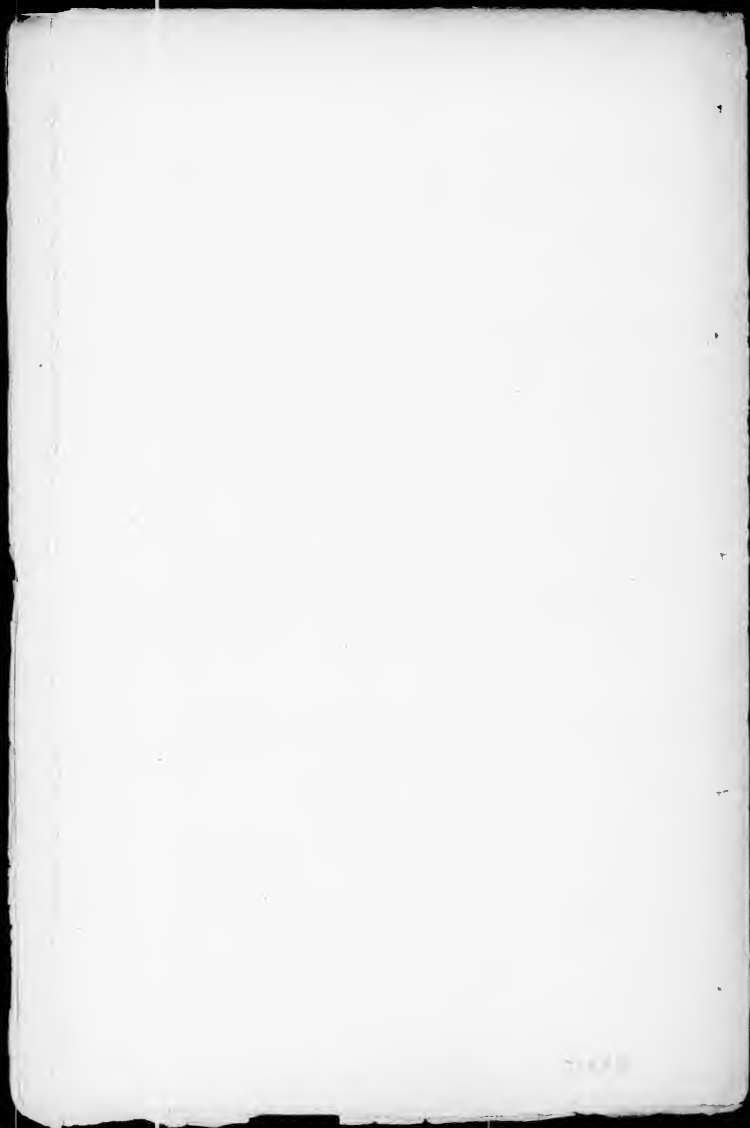
A further source of present weakness is the insufficiency of the internal revenue laws and the inequality of the tariff. Time prohibits an

analysis of these subjects as I intended, and I defer to another time what I have to say on this most fruitful theme.

Now, Mr. Chairman, for the purpose of giving these views practical effect and for this House showing the country what it may rely upon, I now give notice that upon the first opportunity when I can call the previous question and secure a vote I shall present in due form the following resolution:

Whereas the interests of this nation demand as early a return to the specie standard of the world as can be consistently done; and whereas among the principles now retarding that desirable end are the following: first, instability in the amount of currency furnished the people; second, the low price of United States bonds affecting a certain portion of the currency; and third, the inadequate security furnished by the national banks: Therefore,

Be it resolved, That the Committee on Banking and Currency be, and it is hereby, directed to inquire into the expediency of fixing the currency at its present nominal amount for a period of years, and, also, how the franchises of the national banks can be so changed as to furnish the bill-holders ample security when resumption of specie payment shall occur, or how the bills of the said national banks may be converted into legal tenders, with other recommendations thereto pertaining, and to report by bill or otherwise.



**END OF
TITLE**